



MISSOURI SECRETARY OF STATE

ROBIN CARNAHAN

WANTS YOU TO BE INFORMED!



Carnahan Names the Top 10 Threats to Investors

1. **Ponzi Schemes:** Also called Pyramid Schemes. They are essentially “robbing one person to pay another.” Initial investors are paid off with borrowed money from new investors. As long as a steady flow of new investors keeps coming in, there will be money to pay off the old investors. However, when new investors stop coming in, the oldest investors do not receive their promised pay-out.
2. **Unlicensed Individuals Selling Securities:** All individuals selling securities must be registered with the Office of the Missouri Secretary of State, Securities Division. Those not registered may not be qualified to sell securities and may not disclose important information.
3. **Variable Annuity Sales Practices:** Variable annuities are sold by life insurance companies and guarantee an income stream for life. However, because they are variable, an investor may not receive the expected returns and may have to pay large surrender charges to get the money back and liquidate the annuity. Also, brokers often charge high fees for annuities. Variable annuities make sense only for consumers willing to invest for 10 years or longer, but are not suitable for many retirees who cannot afford to lock up their money for a long period of time.
4. **Senior Investment Fraud:** Con artists tend to prey on elderly investors because of their lifetime of savings and their trusting nature. Seniors should beware.
5. **Affinity Fraud:** These scams exploit the trust and friendship that exist in groups of people who have something in common, such as religious, ethnic, cultural and professional groups. Con artists frequently are - or pretend to be- members of the group. They often enlist respected community or religious leaders from within the group to spread the word about the scheme and the leaders often become unwitting victims themselves.
6. **Unregistered Investment Products:** All investments must be registered with the Office of the Missouri Secretary of State, Securities Division. Con artists bypass stringent state registration requirements to pitch viatical settlements, pay telephone and ATM leasing contracts and other investment contracts with the promise of “limited or no risk” and high returns. Unregistered investments have not been properly examined to ensure they are sound investments.
7. **Promissory Notes:** Con artists scam investors with false promises of high returns on what may appear to be a plausible business opportunity.
8. **High-Yield Investment Schemes:** Perpetrators claim to have unique access to this secret market. Supposedly, bank securities traded between “top” or “prime” banks can be bought at a discount and sold at a premium, yielding greater than market returns with no risk. In reality, no such market exists.
9. **Internet Fraud:** While there are legitimate Internet stock and investment sites, there are many scams lurking out there as well. Be very careful when it comes to acting on investment tips or opportunities appearing on the Internet, even if you receive the website information from a friend or relative. Check out an investment opportunity thoroughly before sending money and, if you decide to purchase a stock, don't buy little-known stocks on the basis of online hype. These are the investments most susceptible to manipulation. Don't assume that all online claims are reputable or legitimate.
10. **Oil and Gas Scams:** Many of these scam artists play on the news of rising oil and gas prices to encourage investment in their phony operations. “Oil company” representatives call investors for money to start drilling on property, where oil supposedly exists. The investor gives the “oil company” money and never hears from them again.

**For further information, please contact the Securities Division
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